

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00

DODE-00 DOTE-00 INR-07 NSAE-00 RSC-01 FAA-00 SS-15

NSC-05 XMB-02 AID-05 TRSE-00 OMB-01 PA-01 PRS-01

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P R 0271819Z JAN 75

FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC PRIORITY 8331

INFO AMEMBASSY CARACAS

AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY OTTAWA

AMEMBASSY PORT OF SPAIN

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E.O. 11652: N/A

TAGS: EAIR ETRN BB AC

SUBJ: MORE DETAIL ON LIAT FINANCIAL TROUBLES

REF: BRIDGETOWN 0119 AND PREVIOUS

1. LIAT HAS INFORMED HMG THAT IT IS AWAITING "LETTER OF COMFORT" (NON-BINDING ACKNOWLEDGEMENT) FROM CDB REGARDING ITS APPLICATION FOR LOAN OF US DOLS 6-7 MILLION SO THAT SOME DOLS 125,000 IN UK CROWN AGENTS' OPERATING FUNDS MAY BE RELEASED. LIAT ALSO DISCLOSED TO HMG THAT NEGOTIATINGS WITH ROYAL BANK OF CANADA FOR AN ADDITIONAL DOLS 2.5 MILLION LOAN HAD BROKEN DOWN BECAUSE RB INSISTED ON GUARANTEES FROM THREE OF ASSOCIATED STATES GOVERNMENTS AND GOB. GOB,

RELUCTANT TO ASSUME GUARANTEE FOR MORE THAN ONE-THIRD OF TOTAL AMOUNT, DEMURRED. LIAT CONFIRMS THAT IT IS OPERATING ON DAY-TO-DAY BASIS WITH NO MONEY AVAILABLE AT PRESENT TO PURCHASE DOLS 325,000 IN NEEDED SPARE PARTS FROM COURT
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LIQUIDATOR.

2. LIAT CONFIRMS RELEASE OF TOTAL OF 93 STAFF MEMBERS, 45 BY ATTRITION OR OTHER NON-COERCIVE MEANS AND STRAIGHT LAYOFF OF 48. AT LEAST ONE AND POSSIBLY TWO OF LIAT SENIOR EXECUTIVE STAFF IN ANTIGUA WILL ALSO BE LEAVING. AIRLINE CLAIMS TO HAVE CUT SCHEDULES BY 20 PERCENT, ALTHOUGH LOCAL U.S. CARRIERS STATE THAT ACTUAL SEAT CUTS ARE MUCH GREATER, POSSIBLY AS MUCH AS 40 PERCENT. LIAT HAS ALSO APPARENTLY SHELVED PLANS FOR PURCHASE OF SIXTH AVRO AIRCRAFT.

3. ACCORDING TO LIAT, DEMAS INDICATED THAT HE WAS LOOKING FAVORABLY AT APPLICATION FOR DOLS 6.9 MILLION LOAN BUT COULD NOT COMMIT CDB WITHOUT APPROVAL OF BOARD OF DIRECTORS. DEMAS STATED THAT HE WAS AWAITING LIAT APPRAISAL BEFORE MOVING FURTHER ON APPLICATION.

4. COMMENT: LIAT FUTURE CONTINUES TO LOOK DIMMER. AREA GOVERNMENTS HAVE NOT BEEN ABLE TO GET TOGETHER TO MAKE FINAL DECISIONS ON FINANCIAL MAKEUP OF NEW ORGANIZATION AND TO DECIDE WHAT SORT OF MANAGEMENT, SCHEDULING AND PERSONNEL LIAT SUCCESSOR SHOULD HAVE. MDC PARTICIPATION PRESENTS MOST CONFUSED PICTURE AT PRESENT AND, AT LEAST FROM THIS VIEWPOINT, IT SEEMS VERY UNLIKELY THAT GOTT, MOST WELL-HEELED REGIONAL STATE, WILL COME INTO LIAT VENTURE AT ALL.

5. LIAT OPTIMISM RE CDB LOAN ALSO APPEARS UNJUSTIFIED. BANK SOURCES CLAIM THAT WHOLE LIAT PICTURE IS SO CONFUSED THAT NO DECISION CAN BE MADE ON LOAN APPLICATION AT THIS TIME AND THAT CDB IS NOT GOING TO MOVE AT ALL UNTIL IT KNOWS EXACT POSITION OF BORROWER, IDENTITY OF GUARANTOR AND WHAT SORT OF ORGANIZATION AND OPERATIONS ARE PLANNED BY LIAT SUCCESSOR. CANADIANS HERE REPORT THAT THEY HAVE TOLD DEMAS "NOT TO EXPECT FAVORABLE RESPONSE" ON LIAT LOAN FROM THEM UNLESS A GREAT MANY UNANSWERED QUESTIONS ARE RESOLVED. (SINCE NEXT CDB BOARD OF DIRECTORS' MEETING IS SLATED FOR MARCH 20-22, DEMAS WOULD BE REQUIRED TO CALL EXTRAORDINARY MEETING FOR ANY CONSIDERATION OF LIAT LOAN PRIOR TO THAT DATE). GIVEN DEMAS' POLITICAL NATURE, IT SEEMS UNLIKELY THAT LIMITED OFFICIAL USE

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HE WOULD TELL LIAT UNVARNISHED TRUTH RE LOAN APPLICATION. WE SPECULATE THAT LIAT EXECUTIVES HEARD FROM DEMAS WHAT THEY WANTED TO HEAR WITHOUT CATCHING SUBTLE DISCLAIMERS THAT DEMAS ALMOST CERTAINLY WOULD MAKE.

6. AS GOV LOAN IS REPORTEDLY DUE IN MARCH, FINANCIAL PRESSURE

ON LIAT IS LIKELY TO INCREASE ENORMOUSLY. CANADIANS SAY THAT
PRELIMINARY REPORTS ON AIR CANADA STUDY (REFTEL) INDICATE THAT
ENTIRE LIAT OPERATION IS NOT VIABLE UNLESS DRASTIC CHANGES
ARE MADE IN AIRLINE'S EQUIPMENT, SCHEDULES, PERSONNEL AND
MANAGEMENT. FUTURE OF REGIONAL AIR SERVICES TO LDC'S THUS
REMAINS MUCH IN DOUBT AT THIS JUNCTURE.
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